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Senate passes legislation to exempt business research funds from state taxes

LANSING – Legislation introduced by Sen. Gerald Van Woerkom, R-Norton Shores, to create a Single Business Tax deduction for state and federal business research grants passed the Michigan Senate today.

The bill is a key component of JOBS II, the second phase of the Senate Republican’s Job Opportunities for Business Success action plan. The plan is designed to create new jobs, save existing jobs and promote a more competitive business climate in Michigan.

“Businesses should not be penalized for bringing research dollars and job opportunities to Michigan,” Van Woerkom said. “Exempting research dollars for businesses is another step Michigan should be taking to attract new businesses and promote a healthier business climate.”

Senate Bill 1116 would allow businesses paying the SBT to deduct state and federal research grants from their tax base income. This bill has the opportunity to help local projects such as the Smart Park in Muskegon and the Kitchen Incubator in Oceana County.

The legislation will help to lure high-tech businesses to Michigan. Such businesses often receive start-up funding from federal grants such as the Small Business Innovation Research and Small Business Technology Transfer programs, which are currently added to the business’s tax base when its SBT liability is calculated.

“Michigan residents are looking toward the future and seeking long-term answers for the problems we are facing,” Van Woerkom said. “Bringing new research opportunities and keeping our existing research programs will ensure a healthy economy in the years ahead.”

Currently, a number of smaller firms receive federal grants to develop software or technologies that would later be of commercial value. The grants are rewarded in phases. Typically, Phase I grants total \$100,000 and are more exploratory, while Phase II grants totaling \$500,000 are usually more focused and involve the development of business plans and private sector investment.

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